

1 AN ACT concerning insurer security deposits.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Illinois Insurance Code is amended by
5 changing Sections 26, 53, 74, 278, 327, and 341 as follows:

6 (215 ILCS 5/26) (from Ch. 73, par. 638)

7 Sec. 26. Deposit. A Every company subject to the
8 provisions of this Article shall make and maintain with the
9 Director for the protection of all creditors, policyholders
10 and policy obligations of the company, a deposit of
11 securities which are authorized investments under Section
12 126.11A(1), 126.11A(2), 126.24A(1), or 126.24A(2) having a
13 fair market value equal to the minimum capital and surplus
14 required to be maintained under Section 13. The Director may
15 release the required deposit of securities upon receipt of an
16 order of a court having proper jurisdiction or upon: (i)
17 certification by the company that it has no outstanding
18 creditors, policyholders, or policy obligations in effect and
19 no plans to engage in the business of insurance; (ii) receipt
20 of a lawful resolution of the company's board of directors
21 effecting the surrender of its articles of incorporation for
22 administrative dissolution by the Director; and (iii) receipt
23 of the name and forwarding address for each of the final
24 officers and directors of the company, together with a plan
25 of dissolution approved by the Director.

26 (Source: P.A. 90-418, eff. 8-15-97.)

27 (215 ILCS 5/53) (from Ch. 73, par. 665)

28 Sec. 53. Deposit. A Each company subject to the
29 provisions of this Article shall make and maintain with the
30 Director for the protection of all creditors, policyholders

1 and policy obligations of the company, a deposit of
 2 securities which are authorized investments under Section
 3 126.11A(1), 126.11A(2), 126.24A(1), or 126.24A(2) having a
 4 fair market value equal to the minimum surplus required to be
 5 maintained under Section 43. The Director may release the
 6 required deposit of securities upon receipt of an order of a
 7 court having proper jurisdiction or upon: (i) certification
 8 by the company that it has no outstanding creditors,
 9 policyholders, or policy obligations in effect and no plans
 10 to engage in the business of insurance; (ii) receipt of a
 11 lawful resolution of the company's board of directors
 12 effecting the surrender of its articles of incorporation for
 13 administrative dissolution by the Director; and (iii) receipt
 14 of the name and forwarding address for each of the final
 15 officers and directors of the company, together with a plan
 16 of dissolution approved by the Director.

17 (Source: P.A. 90-418, eff. 8-15-97.)

18 (215 ILCS 5/74) (from Ch. 73, par. 686)

19 Sec. 74. Deposit. A Each domestic reciprocal subject to
 20 the provisions of this Article shall make and maintain with
 21 the Director, for the protection of all creditors,
 22 policyholders and policy obligations of the reciprocal, a
 23 deposit of securities that are authorized investments under
 24 Section 126.11A(1), 126.11A(2), 126.24A(1), or 126.24A(2),
 25 having a fair market value equal to the surplus required to
 26 be maintained under Section 66. The Director may release the
 27 required deposit of securities upon receipt of an order of a
 28 court having proper jurisdiction or upon: (i) certification
 29 by the reciprocal company that it has no outstanding
 30 creditors, policyholders, or policy obligations in effect and
 31 no plans to engage in the business of insurance; (ii) receipt
 32 of a lawful resolution of the governing body of the
 33 reciprocal's attorney-in-fact effecting the surrender of its

1 certificate of authority and declaration of organization for
 2 administrative dissolution by the Director; and (iii) receipt
 3 of the name and forwarding address for each of the final
 4 officers and directors of the reciprocal's attorney-in-fact,
 5 together with a plan of dissolution approved by the Director.
 6 (Source: P.A. 90-418, eff. 8-15-97; 90-655, eff. 7-30-98.)

7 (215 ILCS 5/278) (from Ch. 73, par. 890)
 8 Sec. 278. Reserve deposits. A Each company subject to
 9 this Article shall from time to time deposit with the
 10 Director, securities of the kind authorized for investment by
 11 a company transacting the kind of business enumerated in
 12 Class 1 of Section 4, in such amount that the market value of
 13 the securities deposited shall, at all times, be at least
 14 equal to the total of the reserved required by this Code on
 15 the life contracts issued by said company until there shall
 16 be on deposit at least \$200,000. Thereafter, while the
 17 reserves on all such contracts are maintained, further
 18 deposits shall be optional with the company. Each separate
 19 deposit, except in the case of newly organized companies
 20 during the first 2 years of existence, shall be in the sum of
 21 not less than \$1,000 and such securities may be deposited at
 22 any time. Any such company may at any time, withdraw any of
 23 such securities in excess of the minimum herein required and
 24 may from time to time exchange any of such securities by
 25 depositing others of the kind in which the company is
 26 authorized to invest, of equal value. So long as the said
 27 company shall remain solvent and maintain its deposits as
 28 herein required, it may collect the interest or other income
 29 of the securities deposited as the same may accrue. All such
 30 deposits shall be held by the Director in trust for the
 31 benefit of the holders of life contracts upon which contracts
 32 reserves at least equal to the minimum reserves prescribed by
 33 Section 281 are required. The Director may release the

1 required deposit of securities upon receipt of an order of a
2 court having proper jurisdiction or upon: (i) certification
3 by the company that it has no outstanding life contracts on
4 which reserves are required, life insurance policyholders, or
5 policy obligations in effect and no plans to engage in the
6 business of insurance; (ii) receipt of a lawful resolution of
7 the company's board of directors effecting the surrender of
8 its articles of incorporation for administrative dissolution
9 by the Director; and (iii) receipt of the name and forwarding
10 address for each of the final officers and directors of the
11 company, together with a plan of dissolution approved by the
12 Director.

13 (Source: Laws 1959, p. 1148.)

14 (215 ILCS 5/327) (from Ch. 73, par. 939)

15 Sec. 327. Benefit fund.

16 (1) An Every association shall maintain a benefit fund
17 which shall be used solely for the payment of claims of
18 members and no part thereof shall be used for defraying the
19 expenses of the association. Such fund, any portion of which
20 may be deposited with the Director, may be held in cash or
21 invested in securities of the United States Government or of
22 the State of Illinois, and not otherwise. All moneys or other
23 assets of the benefit account, as defined in the Act
24 mentioned in Section 316, of any association shall upon the
25 effective date of this Code be deemed transferred to and
26 become a part of its benefit fund. The minimum amount of such
27 benefit fund at all times after one year from the effective
28 date of this Code shall be \$1,000, plus the sum of \$200 for
29 each 100 members in excess of 500. If the benefit fund of any
30 association at any time after one year from the effective
31 date of this Code shall be less than the minimum amount
32 required by this Section and is not increased to such minimum
33 within 90 days, the association shall be deemed insolvent and

1 the Director shall proceed against it under Article XIII.
2 The Director may release any required benefit fund deposit
3 upon receipt of an order of a court having proper
4 jurisdiction or upon: (i) certification by the association
5 that it has no outstanding member creditors, member
6 certificates, or member obligations in effect and no plans to
7 engage in the business of insurance; (ii) receipt of a lawful
8 resolution of the association's board of directors effecting
9 the surrender of its charter and articles of incorporation
10 for administrative dissolution by the Director; and (iii)
11 receipt of the name and forwarding address for each of the
12 final officers and directors of the company, together with a
13 plan of dissolution approved by the Director.

14 (2) Whenever the association shall have been notified of
15 any loss under its certificate of membership, which exceeds
16 in amount the benefit fund of the association, the president
17 shall convene the directors of the association who shall levy
18 an assessment against all members for an amount sufficient to
19 pay all such losses of the association at the time said
20 assessment is made and for an amount in excess thereof
21 sufficient to maintain the minimum amount of the benefit fund
22 as provided in this Section. Assessments provided for in this
23 section shall be distributed equally against all members of
24 the association except for children under 16 years of age.
25 The board of directors shall assess each such child an amount
26 not to exceed one half of the amount levied against each
27 other member.

28 (3) In order to provide for an unexpected number of
29 deaths, an association shall have the right to levy
30 additional assessments whenever in the discretion of the
31 board of directors the same shall be deemed advisable except
32 that no assessment may be levied if the amount in the benefit
33 fund exceeds, or if such assessment will increase the amount
34 of the benefit fund in excess of a sum equal to \$25 per

1 member in good standing. The entire proceeds of all such
2 additional assessments shall be placed in the benefit fund.
3 (Source: Laws 1957, p. 68.)

4 (215 ILCS 5/341) (from Ch. 73, par. 953)
5 Sec. 341. Deposit required.

6 (1) A Every burial society shall maintain with the
7 Director a deposit of cash or securities in an amount of at
8 least \$1,000 one--thousand--dollars. A Any society having a
9 membership of more than 2,500 twenty-five-hundred members and
10 less than 5,000 five--thousand members shall maintain a
11 deposit with the Director of \$5,000 five-thousand-dollars. A
12 Any society having a membership of more than 5,000 five
13 thousand members and less than 10,000 ten-thousand members
14 shall maintain a deposit with the Director of \$10,000 ten
15 thousand--dollars. A Any society having more than 10,000 ten
16 thousand members shall maintain a deposit with the Director
17 of \$10,000 ten-thousand-dollars and an additional \$1,000 one
18 thousand-dollars for each 1,000 one--thousand members in
19 excess of 10,000 ten-thousand.

20 (2) All deposits as required herein shall be in cash or
21 in securities permitted by section 346.

22 (3) The Director may release the required deposit of
23 cash or securities upon receipt of an order of a court having
24 proper jurisdiction or upon: (i) certification by the burial
25 society that it has no outstanding creditors, policyholders,
26 certificate holders, or member obligations in effect and no
27 plans to engage in the business of insurance; (ii) receipt of
28 a lawful resolution of the burial society's board of
29 directors effecting the surrender of its articles of
30 incorporation for administrative dissolution by the Director;
31 and (iii) receipt of the name and forwarding address for each
32 of the final officers and directors of the burial society,
33 together with a plan of dissolution approved by the Director.

1 (Source: Laws 1937, p. 696.)

2 Section 10. The Health Maintenance Organization Act is
3 amended by changing Section 2-6 as follows:

4 (215 ILCS 125/2-6) (from Ch. 111 1/2, par. 1406.2)

5 Sec. 2-6. Statutory Deposits. An Every organization
6 subject to the provisions of this Act shall make and maintain
7 with the Director through December 30, 1993, for the
8 protection of enrollees of the organization, a deposit of
9 securities which are authorized investments under paragraphs
10 (1) and (2) of subsection (h) of Section 3-1 having a fair
11 market value equal to at least \$100,000. Effective December
12 31, 1993 and through December 30, 1994, the deposit shall
13 have a fair market value at least equal to \$200,000.
14 Effective December 31, 1994 and thereafter, the deposit shall
15 have a fair market value at least equal to \$300,000. An
16 organization issued a certificate of authority on or after
17 the effective date of this Amendatory Act of 1993, shall make
18 and maintain with the Director; for the protection of
19 enrollees of the organization, a deposit of securities which
20 are authorized investments under paragraphs (1) and (2) of
21 subsection (h) of Section 3-1 having a fair market value
22 equal to at least \$300,000. The amount on deposit shall
23 remain as an admitted asset of the organization in the
24 determination of its net worth. The Director may release the
25 required deposit of securities upon receipt of an order of a
26 court having proper jurisdiction or upon: (i) certification
27 by the organization that it has no outstanding enrollee
28 creditors, enrollees, certificate holders, or enrollee
29 obligations in effect and no plans to engage in the business
30 of insurance as a health maintenance organization; (ii)
31 receipt of a lawful resolution of the organization's
32 governing body effecting the surrender of its certificate of

1 authority, articles of incorporation, or other organizational
 2 documents to their issuing governmental officer for voluntary
 3 or administrative dissolution; and (iii) receipt of the name
 4 and forwarding address for each of the final officers and
 5 directors of the organization, together with a plan of
 6 dissolution approved by the Director.

7 (Source: P.A. 88-364.)

8 Section 15. The Limited Health Service Organization Act
 9 is amended by changing Section 2006 as follows:

10 (215 ILCS 130/2006) (from Ch. 73, par. 1502-6)

11 Sec. 2006. Statutory deposits.

12 (a) An Every organization subject to the provisions of
 13 this Act shall make and maintain with the Director, for the
 14 protection of enrollees of the organization, a deposit of
 15 securities that are in the form authorized under Section 2-6
 16 of the Health Maintenance Organization Act having a fair
 17 market value equal to the minimum net worth required under
 18 subsection (a) of Section 2004. The amount on deposit shall
 19 remain as an admitted asset of the organization in the
 20 determination of its net worth. The Director may release the
 21 required deposit of securities required by this Section upon
 22 receipt of an order of a court having proper jurisdiction or
 23 upon: (i) certification by the organization that it has no
 24 outstanding enrollee creditors, enrollees, certificate
 25 holders, or enrollee obligations in effect and no plans to
 26 engage in the business of insurance as a limited health
 27 service organization; (ii) receipt of a lawful resolution of
 28 the organization's governing body effecting the surrender of
 29 its certificate of authority, articles of incorporation, or
 30 other organizational documents to their issuing governmental
 31 officer for voluntary or administrative dissolution; and
 32 (iii) receipt of the name and forwarding address for each of

1 the final officers and directors of the organization,
2 together with a plan of dissolution approved by the Director.

3 (b) An LHSO that offers a POS contract shall, in
4 addition to the deposit required by subsection (a), deposit
5 and maintain with the Director cash or securities that are
6 authorized investments under Section 1003 having a fair
7 market value equal to the greater of:

8 (1) \$50,000 if the LHSO's expenditures for
9 out-of-plan covered services do not exceed 10% of its
10 total limited health expenditures in any calendar
11 quarter; or

12 (2) \$100,000 if the LHSO's expenditures for
13 out-of-plan covered services exceeds 10% but are less
14 than 20% of its total limited health services expenditure
15 in any calendar quarter; or

16 (3) 120% of its current actual monthly out-of-plan
17 covered service claims expense plus incurred but not
18 reported balances for out-of-plan covered services.

19 (c) The combined deposit amount required in subsections
20 (a) and (b) shall not exceed \$200,000.

21 (Source: P.A. 87-1079; 88-364; 88-667, eff. 9-16-94.)

22 Section 99. Effective date. This Act takes effect upon
23 becoming law.